

Message Text

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ORIGIN EB-07

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EUR/NE:NACHILLES

EUR/CAN:DLBLAKEMORE

CAB:RSCIBILIA (SUBS)

EUR/CE:BFLATIN

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R 110017Z FEB 76

FM SECSTATE WASHDC

TO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

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E.O. 11652: N/A

TAGS: EAIR, IATA, UK, FR, CA, GW

SUBJECT: CIVAIR - NORTH ATLANTIC FARES FOR EFFECT

APRIL 1, 1976

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1. IATA CONFERENCE MEETING IN SAN DIEGO TO REACH NORTH

ATLANTIC FARE AGREEMENT FOR EFFECT APRIL 1, 1976, RECESSED ON JANUARY 26 WITH NO MEANINGFUL PROGRESS ACHIEVED. WE UNDERSTAND THAT MAIN CAUSE OF FAILURE WAS AIR CANADA'S ADAMANT INSISTENCE ON SUPER-APEX FARE BETWEEN CANADA AND EUROPE. CONFERENCE TO RESUME FEBRUARY 19, WITH AIRLINE CHIEF EXECUTIVES ATTENDING. CONCORDE SURCHARGE ALSO ON AGENDA.

2. SUPER-APEX FARE, VALID ON SCHEDULED SERVICE, WOULD OFFER SAME FARE AND CONDITIONS AS ABC CHARTERS, FLUCTUATING AS CHARTER RATES FLUCTUATE.

3. STORIES COMING OUT OF SAN DIEGO INDICATE THAT CANADIANS MAY ALREADY HAVE REACHED AGREEMENT WITH BRITISH, FRENCH AND WEST GERMANS TO ACCEPT SUPER-APEX IF OPEN RATE SITUATION CONTINUES. ACCORDING THESE SOURCES, CANADIANS PREPARED GIVE GROUND ON OTHER AVIATION ISSUES TO OBTAIN CONSENT. FOR EXAMPLE, CANADA WOULD REPORTEDLY GIVE FRANCE LANDING RIGHTS AT TORONTO. (LEVEL AT WHICH NEGOTIATION CONDUCTED UNCLEAR.)

4. CAB IS SERIOUSLY CONCERNED BY THESE REPORTS. BILATERAL ATTEMPTS TO TRADE FARES FOR ROUTES, WHETHER OR NOT SUCCESSFUL, CAN ONLY THREATEN ABILITY OF IATA TO FUNCTION EFFECTIVELY AND CAUSE INTOLERABLE CONFUSION AND INSTABILITY IN THE FARE STRUCTURE, AND THIS VIEW HAS BEEN GENERALLY ACCEPTED FOR SOME TIME. BILATERAL APPROACH ITSELF IS UNWORKABLE, AS WAS DEMONSTRATED BY UNSUCCESSFUL EFFORTS TO USE IT TO DEAL WITH 1973 OPEN-RATE SITUATION. IF SUCCESSFUL, THE CANADIAN MOVES WOULD PLACE U.S. AIRLINES IN AN AWKWARD COMPETITIVE POSITION. EVEN IF UNSUCCESSFUL, THEY WOULD UNDERMINE THE BASIC INTEGRITY OF THE FARE SETTING MECHANISM.

5. FOR OTTAWA, LONDON, BONN, PARIS, BERN: ACTION REQUESTED - WOULD APPRECIATE ANY ADDITIONAL INFORMATION YOU CAN DEVELOP REGARDING CANADIAN EFFORT. IN MAKING INQUIRIES, IMPRESS ON HOST GOVERNMENT OFFICIALS USG CONCERN OVER PRECEDENT OF BILATERAL RATE APPROACHES AND BURDENS, ON BOTH PUBLIC AND AIRLINES, OF THE INSTABILITY SUCH APPROACHES CAN ENGENDER. (FYI: WHILE WE HAVE NO LIMITED OFFICIAL USE

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SPECIFIC INFORMATION THAT CANADIANS HAVE APPROACHED SWISS, THEY ARE LIKELY TARGET. END FYI.)

6. IT IS ALREADY SO LATE THAT IT IS EXTREMELY DOUBTFUL THAT CAB COULD PROCESS EVEN AN INTERIM AGREEMENT PRIOR TO APRIL 1. CAB CHAIRMAN ROBSON THEREFORE NOTIFIED THE THREE U.S. NORTH ATLANTIC CARRIERS, BY LETTER OF FEBRUARY 6, THAT CAB EXPECTS AIRLINES TO FILE APPROPRIATE

TARIFFS FOR THE PERIOD APRIL 1 TO MAY 31, ON NOT LESS
THAN 30 DAYS NOTICE. THIS WILL AVOID PERIOD OF NO
APPROVED RATES, WHICH WOULD CAUSE CONFUSION IN MARKET
PLACE AT TIME OF SLUGGISH TRAFFIC GROWTH, AND PERMIT
ORDERLY IMPLEMENTATION OF ANY NEW AGREEMENT REACHED.
LETTER ALSO EXPRESSES BOARD'S CONCERN OVER (A) POSSI-
BILITY OF ADDITIONAL COMPLEXITY IN FARE STRUCTURE,
PARTICULARLY IN VIEW OF THE GENERAL CONSENSUS THAT THE
AIRLINES NEED TO ENHANCE THEIR REVENUES, AND (B) POSSI-
BILITY OF BILATERAL ARRANGEMENTS ON FARES, WHICH WOULD
ONLY FURTHER WEAKEN SYSTEM AND GENERALLY DEBASE PROSPECTS
FOR REVENUE IMPROVEMENT. INGERSOLL

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